

Message Text

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ACTION EB-04

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FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 3909
ALL EC CAPITALS IMMEDIATE
USMISSION GENEVA IMMEDIATE
AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 01 OF 03 PARIS 00351

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USMTN

E.O. 11652: GDS
TAGS: ETRD, FR
SUBJ: MTN -- MCDONALD/DE MOREL TALK IN PARIS JANUARY 5

REF: PARIS 00231

1. BEGIN SUMMARY: AS FOLLOW-UP TO STRAUSS TALKS WITH
BARRE AND ROSSI (REFTEL), MCDONALD AND DE MOREL HELD A
TWO-HOUR EXCHANGE JANUARY 5. THEY REVIEWED AND
EXAMINED IN DETAIL FRENCH AND U.S. POSITIONS AS STATED
BY PRINCIPALS THE PREVIOUS DAY. DE MOREL CONTINUED
PROBING FOR POSSIBLE U.S. WILLINGNESS TO RETREAT TO
BARRE'S SUGGESTION OF AN INDEFINITE TARIFF WORKING
HYPOTHESIS INVOLVING A NEW AND LOWER BAND. MCDONALD
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FIRMLY REJECTED THIS AND PRESENTED IN DETAIL THE
REASONS FOR U.S. DISSATISFACTION WITH THE LATEST FRENCH
POSITIONS -- ESPECIALLY AS DESCRIBED BY ROSSI IN
WEDNESDAY'S LUNCHEON. MCDONALD NOTED THE PRESIDENT'S
STRONG INTEREST IN THIS SUBJECT AS REFLECTED IN HIS
PARIS SPEECH THE PREVIOUS EVENING. HE STRONGLY URGED
THAT FRANCE GO ALONG WITH AN EC COUNCIL DECISION

JANUARY 17 THAT WILL PERMIT MTN TO PROCEED ON BASIS OF THE CIRCULATED WORKING PAPERS -- INCLUDING THE TARIFF WORKING HYPOTHESIS OF 40 PERCENT. END SUMMARY.

2. MCDONALD ACCOMPANIED BY MYERSON MET WITH DE MOREL, PREVEL, TESSIER, AND ACHARD (ROSSI'S CHEF DE CABINET). MCDONALD RECALLED THAT WE WERE NOT ENGAGING IN FORMAL NEGOTIATIONS WITH FRANCE BUT SEEKING TO UNDERSTAND OUR RESPECTIVE POSITIONS PRIOR TO THE CRUCIAL EC COUNCIL DECISION ON JANUARY 17. AMBASSADOR STRAUSS HAD CONSIDERED FOREIGN TRADE MINISTER ROSSI'S PRESENTATION EXTREMELY DISAPPOINTING AND SOME OF HIS COMMENTS UNACCEPTABLE. WHILE PRIME MINISTER BARRE'S PRESENTATION RAISED PROBLEMS FOR US, WE HAD APPRECIATED HIS EFFORT TO PROMOTE BETTER UNDERSTANDING AND HIS REITERATION OF FRANCE'S COMMON OBJECTIVE WITH US TO KEEP THE TOKYO ROUND MOVING AHEAD APACE TOWARD SIGNIFICANT RESULTS. MCDONALD POINTED OUT THE PARTICULAR POLITICAL SENSITIVITY OF STRAUSS AND SUBSEQUENT U.S. WILLINGNESS TO KEEP MATTERS INFORMAL WITH MINIMUM SPECIFIC PUBLICITY, PARTICULARLY ON TARIFFS, UNTIL AFTER THE FRENCH ELECTIONS. HOWEVER, HE EMPHASIZED THAT THIS RELATED ONLY TO THE PRESENTATIONAL ASPECTS OF OUR EMERGING AGREEMENTS AND DID NOT IMPLY ANY FURTHER U.S. FLEXIBILITY ON SUBSTANCE.

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3. MCDONALD EMPHASIZED THAT OUR CONCERN IS ALL THE GREATER BECAUSE IN ADDITION TO PRESENTATIONAL PROBLEMS THERE SEEM TO BE SERIOUS SUBSTANTIVE DIFFERENCES BETWEEN THE FRENCH AND U.S. SIDES. REVIEWING US-FRENCH EXCHANGES BACK TO LAST SPRING, MCDONALD POINTED OUT THAT WE CANNOT ACCEPT ROSSI'S LINE THAT THE 40 PERCENT FIGURE IS SOME KIND OF U.S. AU FAIT ACCOMPLI. IT IS A MINIMUM COMPROMISE RESULTING FROM A LONG PROCESS OF GIVE-AND-TAKE ON THIS AND OTHER ISSUES WITH THE COMMUNITY AND REFLECTS THE SEPTEMBER AGREEMENT ON SWISS FORMULA PLUS OR MINUS 5 PERCENT.

4. MCDONALD THEN SPELLED OUT ALL THE AREAS IN WHICH WE HAVE MADE SPECIAL EFFORTS TO MEET EC CONCERNS AND BALANCE EVERYONE'S INTERESTS IN A NEGOTIATING PACKAGE. HE CITED THE FOLLOWING: SAFEGUARDS IN WHICH WE RELUCTANTLY MOVED ON THE PRINCIPLE OF SELECTIVITY; CUSTOMS VALUATION IN WHICH WE WERE CERTAINLY NOT THE DEMANDEUR; A SUBSTANTIAL DEGREE OF TARIFF HARMONIZATION; FLEXIBILITY ON STAGING; AND A REASONABLY FLEXIBLE

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APPROACH TO AGRICULTURAL NEGOTIATIONS INCLUDING COARSE GRAINS, DAIRY PRODUCTS, ETC. WE DID NOT PRETEND THAT WE HAD SATISFIED FRANCE OR THE COMMUNITY ON EVERY SINGLE POINT; THIS WAS AFTER ALL A NEGOTIATION. ON THE OTHER HAND, WE HAD MOVED ON A BROAD FRONT SEEKING OVER-ALL BALANCE AND FORWARD MOMENTUM TO MEET THE MID-JANUARY DATE FOR COMPLETING THE PREPARATORY STAGE. MCDONALD STRESSED THAT WE COULD NOT GET A PACKAGE THROUGH THE CONGRESS WITHOUT A SUBSTANTIAL RESULT ON TARIFFS AS A MEANINGFUL PART OF THE TOTAL PACKAGE.

5. MCDONALD ALSO HIGHLIGHTED OUR EFFORTS TO TAKE ACCOUNT OF FRENCH AND EUROPEAN INTERESTS ON MAJOR TRADE PROBLEMS NOT DIRECTLY INVOLVING MTN. AS EXAMPLES HE CITED OUR CONSULTATION ON STEEL AND EFFORTS TO ASSURE THAT THE U.S. TRIGGER PRICE SYSTEM PROVIDES LEEWAY FOR REASONABLE LEVELS OF CONTINUED EUROPEAN EXPORTS TO THE U.S. ON TEXTILES WE WERE UNHAPPY ABOUT THE COMMUNITY'S NEGOTIATION APPROACHES AND TOUGH TACTICS BUT HAD HELD STILL BECAUSE OF OUR SENSITIVITY
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TO CURRENT COMMUNITY PROBLEMS. THE CONCORDE

ISSUE WAS OF COURSE IN NO WAY LINKED TO THE MTN AS FAR AS THE U.S. IS CONCERNED. NEVERTHELESS, THE FEDERAL GOVERNMENT HAD WEIGHED IN AND HELPED. FINALLY, REEMPHASIZING AMBASSADOR STRAUSS' COMMENTS OF WEDNESDAY, THE OVERALL CLIMATE OF PROTECTIONIST PRESSURE IN THE U.S. AS IN OTHER COUNTRIES IS TRENDING NEGATIVELY. A BAD RESULT OR NO RESULT IN THE MTN COULD ONLY FUEL THE FIRES.

6. DE MOREL SAID THAT FRANCE HAS BOTH PRESENTATIONAL AND SUBSTANTIVE PROBLEMS WITH THE TARIFF HYPOTHESIS ALTHOUGH HE HOPED THE SUBSTANTIVE DIFFERENCES WERE NOT NEARLY SO GREAT AS AMBASSADORS STRAUSS AND MCDONALD THOUGHT. HE RECOGNIZED THAT WE HAD KEPT IN CLOSE TOUCH WITH FRANCE AND THE EC COMMISSION, AND THAT WE HAD MADE REAL EFFORTS TO MEET FRENCH CONCERNS ON SAFEGUARDS AND ON OTHER KEY ELEMENTS. NEVERTHELESS, FRANCE WAS NOT YET CONVINCED THAT THE EXISTING OUTLINE OF A PACKAGE REPRESENTED EQUILIBRIUM IN TERMS OF FRANCE'S SITUATION OR THE COMMUNITY'S SITUATION. DE MOREL SAID HE COULD UNDERSTAND THAT AMBASSADOR STRAUSS MIGHT HAVE BEEN SOMEWHAT SURPRISED AT ROSSI'S "CLEAR-CUT" STATEMENT. ON THE OTHER HAND, FRANCE HAD NEVER GIVEN ITS ASSENT TO THE DEAL WORKED OUT WITH THE EC COMMISSION LAST SEPTEMBER ALTHOUGH HE RECOGNIZED THAT IT HAS BEEN ACCEPTED AND IS FAVORED BY THE COMMISSION.

7. DE MOREL NEXT PROBED TO SEE WHETHER WE MIGHT BE WILLING TO ACCEPT SOMETHING AROUND 30 PERCENT OR A BIT HIGHER. MCDONALD FENDED OFF THESE PROBES STRONGLY. HE EMPHASIZED THAT ANY RETREAT FROM THE 40 PERCENT

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FIGURE WOULD MAKE A BIG DIFFERENCE IN OUR WILLINGNESS TO GO ALONG WITH HARMONIZATION, THE PRINCIPLE OF SELECTIVITY IN SAFEGUARDS, AND SO ON. WHILE CONTINUING TO STRESS U.S. FLEXIBILITY ON STAGING (REFTEL) MCDONALD ALSO TURNED BACK DE MOREL'S PROBES ON CONDITIONALITY INVOLVING ANYTHING LESS THAN FULL IMPLEMENTATION OF TARIFF CUTS WITH CONDITIONALITY ONLY CONSISTING OF THE FLEXIBILITY TO POSTPONE SOMEWHAT THE APPLICATION OF CUTS IF ECONOMIC CONDITIONS SO INDICATE DOWN THE LINE.

8. WITH REGARD TO BARRE'S SUGGESTION FOR A 30-40 PERCENT BAND, MCDONALD REEMPHASIZED OUR DISTRESS AT THE SUGGESTION OF A NEW AND LOWER BAND THAT COULD ONLY BE

AN EFFORT TO PUSH US BELOW OUR FLOOR FROM THE EARLIER
COMPROMISE -- ITSELF THE RESULT OF BARRE'S SEPTEMBER
SUGGESTION FOR A BAND. WE HAD ACCEPTED THE
SWISS FORMULA WITH A BAND AND ENDED UP AT THE LOWER
LIMIT; I.E. 40 PERCENT. WE COULD NOT REPEAT THE SAME
OPERATION AGAIN AND COME OUT WITH A RESULT THAT WOULD
BE JUDGED SIGNIFICANT BY BUSINESSMEN OR INVESTORS, AND
IN STRAUSS' JUDGEMENT POLITICALLY ACCEPTABLE. THE
RESULT WOULD BE NO BETTER THAN THE KENNEDY ROUND
(PERHAPS LESS) EVEN THOUGH THE TRANSITION PERIOD
WOULD BE LONGER.

9. MCDONALD, WITH AN ASSIST FROM PREVEL, CLEARED UP
DE MOREL'S APPARENT MISUNDERSTANDING ABOUT THE "NO NET
EXCEPTIONS" APPROACH. DE MOREL CLAIMED THAT THE EC
COMMISSION FAVORED THE SWISS FORMULA WITH 40 PERCENT
PRIOR TO ADJUSTMENT TO ARRIVE AT NO NO NET

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EXCEPTIONS. THIS, HE CLAIMED, WOULD BRING THE FINAL
AVERAGE DOWN TO PERHAPS 32 PERCENT. MCDONALD SAID THE
U.S. UNDERSTANDING WITH THE EC COMMISSION WAS TO START
AT 40 PERCENT WITH NO EC EXCEPTIONS AND MAKE FINAL
WITHDRAWALS -- IF UNAVOIDABLE AT THE END -- BASED ONLY
ON THE QUALITY OF THE U.S. AND OTHER OFFERS AND THE
OVERALL BALANCE OF THE FULL MTN PACKAGE. THERE MIGHT

BE SLIGHT EROSION AT THE END, BUT WE ARE DETERMINED TO KEEP THIS TO AN ABSOLUTE MINIMUM AND VIEW 40 PERCENT NOT ONLY AS A CEILING BUT A DESIRED THRESHOLD OR FINAL FLOOR WITHIN A POINT OR TWO.

10. DE MOREL SUMMED UP HIS UNDERSTANDING OF THE CURRENT FRENCH VIEW IN LIGHT OF PRIME MINISTER BARRE'S "PERSONAL" COMMENTS IN THE JANUARY 4 MEETING WITH AMBASSADOR STRAUSS. THESE ARE ALONG THE FOLLOWING LINES: (A) FRANCE SUPPORTS THE MTN AND FAVORS SUBSTANTIAL FORWARD MOTION; (B) AT THE APPROPRIATE MOMENT (LATE JANUARY OR SOMETIME IN FEBRUARY) THERE SHOULD BE A "PUBLIC EXPLANATION" WHICH WOULD EMPHASIZE CONFIDENTIAL

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THE GLOBAL NATURE OF THE NEGOTIATIONS AND AVOID HIGHLIGHTING THE TARIFF ELEMENT; (C) WHILE EACH MTN PARTICIPANT WOULD WISH TO TAKE ACCOUNT OF ITS PARTICULAR INTERESTS, FRANCE HOPED THERE COULD BE "COORDINATED PRESENTATIONS" FOR THE U.S. AND THE COMMUNITY; (D) ON TARIFFS, FRANCE DID NOT WANT TO SET A SINGLY FIGURE NOW BUT, IN ORDER "TO GIVE THE MTN CREDIBILITY," THERE SHOULD BE A BAND INVOLVING A 40 PERCENT CEILING AND A 30 PERCENT FLOOR; (E) SUBSEQUENT NEGOTIATIONS WOULD NARROW THE BAND DOWN TO A FINAL FIGURE.

11. MCDONALD CONCLUDED THE DISCUSSIONS BY EMPHASIZING THAT 30 PERCENT WOULD BE UNACCEPTABLE FOR THE U.S.; THAT WE CANNOT ACCEPT A LOWER BAND AND THAT WE MUST HAVE 40 PERCENT TO ASSURE A BALANCE AND VIABLE PACKAGE. HE STRONGLY URGED THAT FRANCE AND ITS EC PARTNERS AGREE THAT THE GENEVA NEGOTIATIONS PROCEED ON THE BASIS OF PUBLISHED WORKING PAPERS, INCLUDING THE TARIFF TEXT. NO ONE WOULD BE FINALLY COMMITTED AT THIS STAGE, BUT IT IS CRITICAL THAT THE MID-JANUARY DEADLINE BE MET AND SPECIFIC OFFERS TABLED. THE RESULTS COULD BE PRESENTED WITHOUT UNDULY HIGHLIGHTING THE TARIFF ASPECT. BUT WE WOULD SIGNAL THE WORLD THAT SERIOUS AND SPECIFIC NEGOTIATIONS ARE UNDERWAY AT LAST AIMED TOWARD PRODUCING SIGNIFICANT RESULTS.
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